

# The Resources Agency

Gray Davis  
Governor



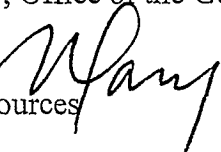
of California

Mary D. Nichols  
Secretary

California Conservation Corps • Department of Boating & Waterways • Department of Conservation  
Department of Fish & Game • Department of Forestry & Fire Protection • Department of Parks & Recreation • Department of Water Resources

November 24, 1999

TO: Susan Kennedy  
Cabinet Secretary, Office of the Governor

FROM: Mary D. Nichols   
Secretary for Resources

SUBJECT: Directives to CALFED from Governor Davis and Secretary Babbitt

Steve Ritchie, Steve Macaulay, and Patrick Wright have developed this status report on the key items of concern to Governor Davis regarding the CALFED Program and water project operations this year. As you know, following his meeting with Secretary Babbitt on August 18, 1999, Governor Davis sent a letter to the Secretary (see Attachment 1) summarizing the five work efforts they had identified to maintain momentum on the CALFED Program through the end of this year.

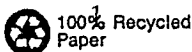
Progress to date on each of these efforts is summarized below.

**1. Development of a Framework for Implementation of CALFED Stage I Water Management Actions, including an Environmental Water Account (EWA) by the end of the year.**

CALFED agencies have been working with agricultural, urban and environmental stakeholders to evaluate performance of a variety of water management "assets" that could be used as part of an Environmental Water Account. "Assets" are programs such as water transfers, groundwater storage, Delta channel modifications, etc. that could add to existing water supplies and/or contribute to water operations flexibility.

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We expect to show real progress by mid-December by:

- Identifying the most promising assets;
- Showing how they could contribute to water supplies and reliability (for either ag/urban or environmental purposes)
- Describing how they could be implemented; and
- Identifying which assets can go forward for early implementation beginning in mid-2000.

This framework will be presented to federal and state agencies on November 30<sup>th</sup>. We will meet with stakeholders and present this framework during the week of December 6<sup>th</sup>. The framework will be presented to the public at the Bay Delta Advisory Council on December 14 and to the CALFED Policy Group at its public meeting on December 15<sup>th</sup>.

Both water users and environmental representatives are likely to request that further technical studies be done using the assumptions they favor. This additional work will be done in January/February while CALFED and stakeholders evaluate costs and develop financing proposals.

## **2. Develop a framework for completion of the Integrated Storage Investigation, as part of an overall Water Management Strategy**

CALFED's overall Water Management Strategy includes several key components, including, but not limited to, the Integrated Storage Investigation. Work efforts over the past three months have focused on all components of the Water Management Strategy. Progress on the Integrated Storage Investigation is described below, along with a status report on the comprehensive evaluation of the overall Water Management Strategy. A summary of progress to date on all of the other critical components of the Water Management Strategy is attached (Attachment 2).

**Integrated Storage Investigation.** The two objectives of the Integrated Storage Investigation are:

- (a) To provide information to help determine the appropriate role of groundwater and surface storage in CALFED's comprehensive Water Management Strategy; and
- (b) To coordinate and facilitate longer-term evaluations of specific storage opportunities currently underway by CALFED agencies.

Significant progress has been achieved on both these objectives. The majority of funding made available through the State budget for the ISI (\$10 million in FY 1999/2000, and \$20 million projected for FY 2000/2001) is dedicated to multi-year studies of off-stream groundwater and surface storage projects. These efforts are briefly described in Attachment 2.

**Comprehensive Evaluation of the Water Management Strategy.** A significant portion of this year's ISI funding is being used to complete a comprehensive evaluation of water management alternatives. This effort includes development of a Water Management Strategy (WMS) evaluation framework. A series of three facilitated workshops and interviews with stakeholders and agency representatives will be

completed by early December, and will clarify fundamental WMS objectives. The framework will include performance measures to help gauge progress toward the identified objectives.

CALFED is conducting a comprehensive evaluation of alternative water management strategies to help illustrate the relative effectiveness measured against identified objectives and recommended performance measures:

- Alternatives will reflect emphasis on a variety of water management tools, including water use efficiency, water recycling, transfers, project re-operation and groundwater and surface storage.
  - The evaluation will include hydrologic and economic analyses and assessment of environmental and social impacts.
  - A limited number of example alternative strategies will be defined and evaluated by mid-December, and preliminary findings will be presented to BDAC (December 14) and the CALFED Policy Group (December 15). The Policy Group will be asked to consider trade-offs across the various combinations of water management actions, and provide direction to the Program as to the preferred combination of water management tools for the CALFED Water Management Strategy.
- 3. Actions to reduce the potential of repeating this year's conflict between water diversions and protection of Delta smelt and other species. Commitment that project operations and regulatory actions will be coordinated through the CALFED Program; conflicts will be elevated promptly to the state and federal leadership team before an action is taken.**

DWR and the USBR have been collaborating closely to develop a suite of water management actions for the year 2000 to avert another Delta smelt crisis while maintaining deliveries to water users. Federal and state project operators are meeting weekly and consulting frequently to assure a collaborative preventive approach in 2000. Proposed actions include modification of pumping operations and scheduling, including operation of a Federal-State joint point of diversion at certain times of the year, as well as a set of water or storage acquisition actions (see Attachment 3 for details). Use of public funds to acquire water for meeting water supply shortages will be controversial. Both environmentalists and water marketers have raised concerns regarding this action.

At its November 17<sup>th</sup> meeting, the CALFED Policy Group approved the use of \$10 million of CALFED funds to jump-start negotiations with water suppliers on potential actions, including purchase of south-of-Delta groundwater and groundwater storage and supply-source shifting. DWR and USBR will provide an update to Policy Group on December 15<sup>th</sup>.

A preliminary assessment is that the contemplated measures have a reasonable chance to increase deliveries to impacted federal water users by 200-300,000 acre-feet next year, bridging the gap between the different legal positions taken by the federal government and their water users in court over b (2) implementation. Again, there is likely to be controversy regarding the extent to which public funds are used to address water shortages.

4. **Actions to reduce conflicts when the federal Trinity River and "b (2)" provisions of the CVPIA are implemented. These include early implementation of projects to improve water supply reliability, including the South Delta improvements program, conjunctive use projects, and water transfers and water use efficiency programs, and coordination of their implementation with appropriate state agencies and CALFED.**

The Department of Interior is implementing its final b(2) Implementation Plan beginning this year (WY2000). The b(2) actions incorporate export curtailments for the protection of Delta smelt and spring run salmon. Water acquisitions and export modifications currently being pursued are, therefore, designed to reduce the impact of b(2) actions on water supply this year. (See attachment 3 for details.)

Both provisions of the recent Federal actions on Trinity River flows and the b(2) provisions under CVPIA are being integrated in early Stage I of the CALFED Program. An immediate source of early implementation funding is the 2000 Water Bond, which includes \$180 million in Chapter 9, Article 4, "Interim Water Reliability Supply and Water Quality Infrastructure and Management Program." As mentioned in #3 above, there will be controversy over using public funds for programs to reduce water shortages, certainly for the immediate problem in year 2000. However, the Water Bond language would authorize use of public funds for longer-term water shortage measures.

Current work efforts on developing the parameters for the Environmental Water Account include investigation of ways to utilize available water assets to address the impacts of both of these sets of actions.

#### **5. Re-authorization of the Federal Bay-Delta Environmental Enhancement and Water Security Act**

Re-authorization of the Bay Delta Security Act is a keystone of federal funding for the CALFED Program. As such, it represents one component of the overall CALFED funding strategy, which also includes the following components:

- Development of highly detailed CALFED cross-cut budgets in both federal and state agencies
- Passage of the 2000 Water Bond, which will provide \$430 million for CALFED-related activities
- Development of a detailed framework for application of the CALFED "beneficiaries pay" principle to all program actions, both near-term in Stage I and long-term, over the thirty-year life of the program

Cc: Linda Adams